STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company	)	
d/b/a Nicor Gas Company	)	**08-0363**
	)	
Proposed general increase in natural gas rates.	)	

REBUTTAL TESTIMONY OF CHRISTOPHER C. THOMAS ON BEHALF OF THE CITIZENS UTILITY BOARD

CUB Exhibit 2.0

October 23, 2008

ICC DOCKET NO. 08-0363
REBUTTAL TESTIMONY OF CHRISTOPHER C. THOMAS

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Christopher C. Thomas. My business address is 309 W. Washington, Suite 800, Chicago, IL 60606.

Q. ARE YOU THE SAME CHRISTOPHER C. THOMAS WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to criticism of my Direst Testimony presented in the Rebuttal Testimony of Nicor Gas Company ("Nicor" or "the Company") witness Dr. Jeff D. Makholm (Nicor Ex. 25.0). I will also respond to portions of the Direct Testimonies filed by ICC Staff Witnesses Sheena Kight-Garlisch (ICC Staff Ex. 6.0) and Janis Freetly (ICC Staff Ex. 5.0).

Q. PLEASE SUMMARIZE YOUR FINDINGS.

A. Dr. Makholm has not presented any evidence to dispute my conclusions that the CAPM is inappropriate for use in setting rates for regulated utilities, and that the Commission's reliance on the CAPM produces overstated rates of return on common equity for regulated public utilities. As I discussed in my direct testimony, I presented facts specific to the record in this proceeding that require the Commission to take a different look at the ROE calculation methodology on which it has previously relied.

The testimony and analysis presented by Staff witness Sheena Kight-Garlisch regarding the cost of common equity for Nicor suffers from several methodological flaws, and accordingly, her recommended cost of common equity should be adjusted downward from 10.16% to 9.25%.

I continue to recommend that the company should receive a rate of return on common equity of no more than 9.455%. I also continue to recommend that the Commission-approved rate of return be reduced by 58 basis points if Nicor's proposed cost recovery riders are adopted.

The overall cost of capital that Nicor should receive an opportunity to recover through its rates should be no more than 7.25%. As shown in the chart below, this cost of capital is based on my recommended rate of return on common equity and the capital structure proposed by Staff witness Janis Freetly.

	Amount ($000)	Weight	Cost	Weighted Cost
Short-term Debt	235,917	0.1724117	2.090%	0.360%
Long-term Debt	479,978	0.3507752	6.800%	2.39%
Non-redeemable Preferred Stock	1,385	0.0010122	4.770%	0.00%
Common Equity	651,055	0.4758009	9.455%	4.50%
	1,368,335	100.00%		
			WACC	**7.25%**

Data from CUB Ex. 1.0 and Staff Ex. 5.1

II. RESPONSE TO DR. MAKHOLM

Q. PLEASE SUMMARIZE DR. MAKHOLM'S CRITICISMS OF YOUR DIRECT TESTIMONY.

A. Dr. Makholm makes a number of rhetorical points regarding my testimony.

1) He starts by characterizing the logic outlined in my Direct Testimony as "shoddy". Nicor Ex. 25.0 at 45-47.

2) He then refers to my conclusions regarding the inclusion of external growth (S*V) in his DCF analysis as "ridiculous." Nicor Ex.25.0 at 403-404.

3) Rather than refute the substantive, well-documented, academic evidence undermining the usefulness of the CAPM for regulatory proceedings presented in my testimony, he simply argues that persistence in certain regulatory methodologies should continue "...given the weight that is given in many regulatory jurisdictions in this country and abroad." Nicor Ex. 25 at 482-483.

4) He further criticizes my analysis and conclusions regarding the CAPM beta adjustment methodology as being previously rejected by the Commission. Nicor Ex. 25.0 at 491-494.

As I will discuss, these points do not specifically refute my conclusions and contain little to no substance.

Q. ASIDE FROM REFERRING TO THE LOGIC USED IN YOUR TESTIMONY AS "SHODDY," DID DR. MAKHOLM PRESENT ANY EVIDENCE UNDERMINING YOUR CONCLUSIONS REGARDING THE CAPM?

A. No. His testimony simply contains several conclusory statements with little to no analysis to refute the logic used in my testimony. My direct testimony presented a thoughtful and well-reasoned approach to both introduce academic evidence and verify that the conclusions in that evidence actually apply to the companies in the sample group.

Rather than raise specific concerns with this logical, well-reasoned approach, Dr. Makholm has simply chosen to rely on rhetoric.

Q. WHAT DO YOU THINK DR. MAKHOLM MEANS WHEN HE ARGUES THAT YOUR CRITICISM OF THE INCLUSION OF EXTERNAL GROWTH (S*V) IN HIS DCF ANALYSIS IS "RIDICULOUS?"

A. The point he is trying to make is unclear, because his argument is contradictory. He begins by acknowledging that there is "…no reliable way to predict the future issuance activities for the members of the comparable group of companies." Nicor Ex. 25.0 at 407-408. He further acknowledges that the "..only reasonably useful way to reflect [future equity offering] occurrence is to examine the extent to which such periodic offering have happened in the past." Nicor Ex. 25.0 at 417-419. I agree with both of these points.

My direct testimony argued that it is inappropriate to incorporate measures of external financing without knowledge of concrete plans to issue new equity. As I discussed, this will insure consistency with the Commission's practice of granting returns on prudently and reasonably incurred investments during the test year. Dr. Makholm could be arguing that investors somehow expect new equity issuances, but his testimony fails to demonstrate the likelihood of such an occurrence. Instead, his testimony tries to increase the growth rate used in the DCF cost by a significant amount based on the logic that his measures of external financing meet a "reasonably useful" standard. It seems it is Mr. Makholm's logic that is inconsistent in this regard.

Q. ARE THERE OTHER ISSUES WITH DR. MAKHOLM'S INCLUSION OF EXTERNAL FINANCING IN HIS DCF ANALYSIS?

A. Yes. As Staff witness Ms. Sheena Kight-Garlisch notes, Dr. Makholm's external growth calculation assumes that new equity will be released at market prices that represent a 70% premium to book value. Staff Ex. 6.0 at 623-627. This is not a reasonable assumption because it is completely inconsistent with the Commission's ratemaking process, and inappropriately increases the return on equity.

Q. WHAT ARE MARKET AND BOOK VALUE?

A. Market value refers to the value of a company's outstanding stock as measured by the current market-based stock price and the number of shares outstanding. Book value is the value of the assets that the company has recorded on its books. For a regulated utility company, book value generally refers to the value of assets in rate base. As discussed below, when a company is earning precisely its cost of capital, market and book value will be exactly the same. This means that utility market value greater than book value could indicate that the utility is earning more than its cost of equity capital.

Q. EXPLAIN WHY ONE MIGHT CONCLUDE THAT A REGULATED UTILITY IS EARNING MORE THAN ITS COST OF CAPITAL WHEN ITS MARKET VALUE EXCEEDS ITS BOOK VALUE.

A. A basic tenet of utility cost of capital theory[1] is that, if investors expect that a company's sustainable earnings will exactly match its cost of capital; the market value of the company will equal the book value of its assets. Rate base assets are the book value assets of a utility company that it is entitled an opportunity to earn a return through regulated rates. So, if a utility is earning precisely its cost of capital, the present value of the company's cash flows discounted at the cost of capital will be exactly the same as the

[1] To be clear, cost of capital refers to all of the capital used by a company, including both the embedded cost of debt and the estimated cost of equity.

value of the assets in rate base. Accordingly, a market-to-book ratio that exceeds 1.0 indicates that a utility could be earning more than its cost of capital. Reasonable investors might not expect that regulators would continue to allow utilities to earn at unreasonable profit levels.

Q. IS THIS AN ACCEPTED IDEA IN THE FINANCIAL LITERATURE?

A. Yes. Consider the following statements from academic literature.

Seth Armitage in his text, "The Cost of Capital," states:

> The … aim of regulation implies that the market value of the company should be equal to the book value, at least immediately after a price-setting review …. If market value exceeds book value, it suggests that the actual rate of return exceeds the cost of capital, and vice versa.[2]

Eugene Fama and Kenneth French in their 2002 article on the equity premium note that market-to-book ratios above 1.0 are evidence of earned returns above the cost of equity:

> Since, on average, the market value of equity is substantially higher than its book value, it seems safe to conclude that on average, the expected return on investment exceeds the cost of capital.[3]

Q. ARE YOU TESTIFYING THAT PUBLIC UTILITIY INVESTORS SHOULD NOT EVER BE WILLING TO PAY MORE THAN BOOK VALUE FOR PUBLIC UTILITY STOCKS?

A. No. There are many reasons why the market price of a stock will diverge from its book value, and it makes sense that rational utility management would find it attractive to issue stock at higher prices. My testimony is that the Commission should not consider changes in market value when it grants a rate of return on rate base assets. The Commission's charge is to determine the market-based cost of common equity that should be applied to

---

[2] Seth Armitage, The Cost of Capital: Intermediate Theory 324 (2005)
[3] Eugene F. Fama and Kenneth R. French, The Equity Premium, 57 J. Finance 644 (April 2002).

the book value of assets in rate base. Attempting to inflate the cost of equity by factoring in changes in market value is inappropriate and inconsistent with the ratemaking process.

Q. DR. MAKHOLM ARGUES THAT YOUR PROPOSAL TO INCORPORATE FINDINGS FROM THE ACADEMIC LITERATURE ABOUT THE CAPM IN THIS PROCEEDING IS UNREASONABLE AND BASED ON YOUR OPINION. (NICOR EX. 25 AT 482-483, 491-494). HAS HE SUPPORTED HIS CONCLUSIONS?

A. No. Dr. Makholm's argument seems to be that because other regulatory jurisdictions rely on the CAPM, the Commission should ignore the evidence that I have presented. Furthermore, he characterizes the detailed empirical analysis that I have presented as an "opinion." Both of these claims are simply not supported.

My direct testimony presented clear evidence that the beta adjustment methodology, traditionally relied on by the Commission, produces beta estimates that are less accurate than unadjusted beta estimates, for the specific companies in the sample of comparable utilities. This analysis has never been reviewed by the Commission. When this detailed, empirical evidence is viewed in concert with the academic evidence, it is clear that the CAPM is not a useful model for determining regulated utility ROEs. Without refuting any specific point in my analysis, or even critiquing the methodology I used, Dr. Makholm simply claims that the Commission should ignore my analysis.

Q. DR. MAKHOLM ARGUES THAT YOUR DCF ANALYSIS RESULTS SHOULD BE INCREASED TO 10.54% BASED ON ADJUSTMENTS PROPOSED IN HIS TESTIMONY. DO YOU AGREE?

A. No. Dr. Makholm's analysis contains the same flaws that I identified in my direct testimony. He inappropriately includes adjustments for selling and issuance expense and external (S*V) growth. In addition, the updated information that Dr. Makholm uses to calculate his growth rates is highly suspect.

One single growth rate, the Value Line growth rate, that Dr. Makholm calculates for Avista Corp. is 19.44%. This single growth rate increases the overall average growth rate by 64 basis points, as shown in the charts below.

Growth Rates

Sample Group	B*R*	Value Line Growth**	Zacks Growth**	Average Growth
Avista Corp.	**3.04%**	**19.44%**	**5.00%**	**9.16%**
MGE Energy	5.39%	3.91%	na	4.65%
Nicor	**7.17%**	**3.49%**	**5.80%**	**5.49%**
Northwest Natural Gas	4.03%	3.95%	6.50%	4.83%
Piedmont Natural Gas	**4.49%**	**5.73%**	**5.60%**	**5.27%**
Southwest Gas	6.25%	5.92%	8.00%	6.72%
Vectran Corp.	**3.13%**	**2.30%**	**6.10%**	**3.84%**
Wisconsin Energy	7.98%	8.40%	9.60%	8.66%
Average	**5.19%**	**6.64%**	**6.66%**	**6.08%**
			Makholm Proposal**	**6.38%**
			Difference	

Notes

* Nicor Ex 25.4

** Nicor Ex. 25.6

Growth Rates With Avista Value Line Growth Removed

Sample Group	B*R*	Value Line Growth**	Zacks Growth**	Average Growth
Avista Corp.	**3.04%**		**5.00%**	**4.02%**
MGE Energy	5.39%	3.91%	na	4.65%
Nicor	**7.17%**	**3.49%**	**5.80%**	**5.49%**
Northwest Natural Gas	4.03%	3.95%	6.50%	4.83%
Piedmont Natural Gas	**4.49%**	**5.73%**	**5.60%**	**5.27%**
Southwest Gas	6.25%	5.92%	8.00%	6.72%
Vectran Corp.	**3.13%**	**2.30%**	**6.10%**	**3.84%**
Wisconsin Energy	7.98%	8.40%	9.60%	8.66%

Average	5.19%	4.81%	6.66%	5.44%
			[redacted]	6.38%
			[redacted]	[redacted]

Notes

* Nicor Ex 25.4

** Nicor Ex. 25.6

It is simply unreasonable to assume that a public utility will grow at 19.44% over the long term. In addition, the 19.44% Value Line growth rate is nearly 4 times the analysts' growth rate reported by Zacks and more than 6 times the calculated internal growth rate. Because this estimate is such an outlier, it should be removed from the analysis.

Removing Dr. Makholm's Value Line growth estimate for Avista reduces the cost of common equity calculated by the DCF formula from 10.047% to 9.377% as shown in the charts below.

QUARTERLY DISCOUNTED CASH FLOW ANALYSIS (Including AVA VL)

Sample Group	Adjusted Stock Price*	Q1*	Q2*	Q3*	Q4*	g	Qf1	Qf2	Qf3	Qf4	Quarterly Dividend Yield	DCF
Avista Corp.	20.85	0.15	0.15	0.165	0.165	9.16%	0.16	0.16	0.18	0.18	3.45%	12.606%
MGE Energy	34.44	0.355	0.355	0.355	0.355	4.65%	0.37	0.37	0.37	0.37	4.46%	9.110%
Nicor	39.62	0.465	0.465	0.465	0.465	5.48%	0.49	0.49	0.49	0.49	5.15%	10.629%
Northwest Natural Gas	44.88	0.355	0.375	0.375	0.375	4.83%	0.37	0.39	0.39	0.39	3.56%	8.389%
Piedmont Natural Gas	25.81	0.25	0.25	0.25	0.26	5.27%	0.26	0.26	0.26	0.27	4.26%	9.536%
Southwest Gas	28.08	0.215	0.215	0.215	0.225	6.72%	0.23	0.23	0.23	0.24	3.43%	10.152%
Vectran Corp.	29.08	0.315	0.325	0.325	0.325	3.84%	0.33	0.34	0.34	0.34	4.75%	8.595%
Wisconsin Energy	43.52	0.25	0.25	0.27	0.27	8.66%	0.27	0.27	0.29	0.29	2.70%	11.362%
											Average DCF	[redacted]

QUARTERLY DISCOUNTED CASH FLOW ANALYSIS (W/O AVA VL)

Sample Group	Adjusted Stock Price*	Q1*	Q2*	Q3*	Q4*	g	Qf1	Qf2	Qf3	Qf4	Quarterly Dividend Yield	DCF
Avista Corp.	20.85	0.15	0.15	0.165	0.165	4.02%	0.16	0.16	0.17	0.17	3.23%	7.245%
MGE Energy	34.44	0.355	0.355	0.355	0.355	4.65%	0.37	0.37	0.37	0.37	4.46%	9.110%
Nicor	39.62	0.465	0.465	0.465	0.465	5.48%	0.49	0.49	0.49	0.49	5.15%	10.629%
Northwest Natural Gas	44.88	0.355	0.375	0.375	0.375	4.83%	0.37	0.39	0.39	0.39	3.56%	8.389%
Piedmont Natural Gas	25.81	0.25	0.25	0.25	0.26	5.27%	0.26	0.26	0.26	0.27	4.26%	9.536%
Southwest Gas	28.08	0.215	0.215	0.215	0.225	6.72%	0.23	0.23	0.23	0.24	3.43%	10.152%
Vectran Corp.	29.08	0.315	0.325	0.325	0.325	3.84%	0.33	0.34	0.34	0.34	4.75%	8.595%
Wisconsin Energy	43.52	0.25	0.25	0.27	0.27	8.66%	0.27	0.27	0.29	0.29	2.70%	11.362%
											Average DCF	[redacted]

Even though the DCF formula, using data consistent with Dr. Makholm and Ms. Kight-Garlisch, clearly supports a lower recommendation (almost 8 basis points), I continue to recommend that the cost of common equity be set at 9.455% for Nicor Gas. I believe this is a reasonable recommendation, especially given the current uncertainty in the credit and financial markets.

Q. DO YOU HAVE CONCERNS WITH ANY ADDITTIONAL ISSUES RAISED IN DR. MAKHOLM'S REBUTTAL TESTIMONY?

A. Yes. Dr. Makholm claims that the Company's proposed new Riders CUA, UEA, and VBA represent incremental changes in rate design and billing that do not affect the risk for which investors require compensation in the form of a return on equity. Nicor Ex.

25.0 at 545-546. This argument completely misses the point and ignores the uncontroverted evidence that Riders CUA, UEA, and VBA would have increased Nicor's return on equity by an average of 242 basis points if they had been in place from 1998 to 2007. This benefit would have accrued directly to common equity shareholders. Accordingly, it is clear that the proposed Riders hold tremendous potential value to common equity shareholders -- value that cannot be ignored in the Commission's ROE determination in this proceeding. As I testified in my direct testimony, if the Commission approves the cost recovery riders proposed by the Company it should make corresponding adjustments to the cost of capital as shown below:

Rider CUA – 8 basis points

Rider VBA – 25 basis points

Rider UEA – 25 basis points

Rider QIP – Cost of equity on all Rider QIP projects of 6.80%

III. RESPONSE TO STAFF WITNESS KIGHT-GARLISCH

Q. DOES STAFF WITNESS KIGHT-GARLISCH RAISE ANY ISSUES THAT RELATE TO YOUR DIRECT TESTIMONY?

A. Yes. Staff witness Kight-Garlisch testifies that Nicor's investor required rate of return should be 10.16% based upon a methodology that averages the results of a non-constant DCF analysis and a CAPM analysis (she also incorporates an adjustment to reflect the relative riskiness of Nicor compared to the sample companies). In addition, Ms. Kight-Garlisch proposes removing MGE from the Sample group.

Q. WHAT CONCERNS DO YOU HAVE WITH MS. KIGHT-GARLISCH'S RECOMMENDED 10.16% COST OF COMMON EQUITY?

A. Ms. Kight-Garlisch uses a methodology for calculating the cost of common equity that averages the results of her DCF (9.25%) and CAPM (11.56%) analyses. As with Mr. Makholm, her CAPM model relies on adjusted beta parameters. As I demonstrated in my Direct Testimony, the beta adjustment methodology produces beta estimates that are less accurate than unadjusted beta estimates, for the specific companies in the sample of comparable utilities. This finding also clearly supports findings in the academic literature that the CAPM is not a very useful model for calculating the cost of common equity for a regulated utility. Accordingly, the Commission should reject Ms. Kight-Garlisch's CAPM analysis and consider only her DCF analysis (9.25%) in determining Nicor's cost of capital.

Q. MS. KIGHT-GARLISCH'S TESTIMONY RELIES ON BETAS CALCULATED USING BOTH MONTHLY AND WEEKLY DATA (STAFF EX. 6.0 AT 331 AND 344), WHILE THE ANALYSIS YOU PRESENTED RELIES ON MONTHLY DATA. WOULD USING WEEKLY DATA CHANGE THE OVERALL RESULTS OF YOUR ANALYSIS?

A. No. As shown in the tables below, using weekly data does change the relative magnitude of the Mean Squared Error statistics that I calculated, however in every case studies, the beta adjustment methodology produces demonstrably less accurate beta estimates.

Monthly Data	**Mean Squared Error (MSE)**		
Test Case	**Unadjusted Beta**	**Adjusted Beta**	**Adjusted/ Unadjusted**
Annualized stock and S&P 500 Returns, to 20 yr Rf	0.0376	0.1649	4.4
Annualized stock and S&P 500 Returns, to 10 yr Rf	0.0653	0.1645	2.5
Annualized stock and S&P 500 Returns, to 30 day Rf	0.0329	0.0752	2.3
12 month forward annualized stock and S&P 500 returns to 20 yr Rf	0.1801	0.4889	2.7
5 year forward annualized stock and S&P 500 returns to 20 yr Rf	0.0132	0.0231	1.8
Annualized stock and forecasted S&P 500 returns to 20 yr Rf	0.3929	0.7670	2.0
5 yr forward stock and forecasted S&P 500 returns to 20 yr Rf	0.1586	0.5620	3.5

Weekly Data	**Mean Squared Error (MSE)**		
Test Case	**Unadjusted Beta**	**Adjusted Beta**	**Adjusted/ Unadjusted**
Annualized stock and S&P 500 Returns, to 20 yr Rf	0.0503	0.1601	3.2
Annualized stock and S&P 500 Returns, to 10 yr Rf	0.0453	0.1597	3.5
12 month forward annualized stock and S&P 500 returns to 20 yr Rf	0.0309	0.0941	3.0
5 year forward annualized stock and S&P 500 returns to 20 yr Rf	0.0057	0.0223	3.9
Annualized stock and forecasted S&P 500 returns to 20 yr Rf	0.1943	0.4612	2.4
5 yr forward stock and forecasted S&P 500 returns to 20 yr Rf	0.0045	0.0120	2.7

I did find one slight calculation error in my initial analysis, which has been corrected in the charts above. This error affected the magnitude of the "annualized stock and S&P 500 Returns to 30 day Rf" test case. However, as the charts above demonstrate, my overall conclusions remain unchanged.

IV. RESPONSE TO STAFF WITNESS FREETLY

Q. DOES STAFF WITNESS JANIS FREETLY RAISE ANY ISSUES THAT RELATE TO YOUR DIRECT TESTIMONY?

A. Yes. Ms. Freetly proposes adjustments to Nicor's capital structure, which is used to determine the overall cost of capital for the Company.

Q. WHAT ADJUSTMENTS DID MS. FREETLY PROPOSE?

A. Ms. Freetly's adjustments recognize that the Company's actual capital structure contains a significant amount of short-term debt.

Q. ARE THESE REASONABLE ADJUSTMENTS TO MAKE?

A. Yes. As Ms. Freetly discusses, Nicor has not demonstrated that short-term debt does not support rate base. Unless the Company is able to do so, it is unreasonable to exclude short-term debt from Nicor's capital structure.

V. SUMMARY AND CONCLUSION

Q. PLEASE SUMMARIZE YOUR FINDINGS.

A. My testimony demonstrates that Nicor should be granted a return on common equity of no more than 9.455%. In addition, if the Commission approves the cost recovery riders proposed by the Company it should make corresponding adjustments to the cost of capital as shown below:

Rider CUA – 8 basis points

Rider VBA – 25 basis points

Rider UEA – 25 basis points

Rider QIP – Cost of equity on all Rider QIP projects of 6.80%

The overall cost of capital that Nicor should receive an opportunity to recover through its rates should be no more than 7.25%. As shown in the chart below, this cost of capital is based on my recommended rate of return on common equity and the capital structure proposed by Staff witness Janis Freetly.

	Amount ($000)	Weight	Cost	Weighted Cost
Short-term Debt	235,917	0.1724117	2.090%	0.360%
Long-term Debt	479,978	0.3507752	6.800%	2.39%
Non-redeemable Preferred Stock	1,385	0.0010122	4.770%	0.00%
Common Equity	651,055	0.4758009	9.455%	4.50%
	1,368,335	100.00%		
			WACC	**7.25%**

Data from CUB Ex. 1.0 and Staff Ex. 5.1

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company	)	
d/b/a Nicor Gas Company	)	**08-0363**
	)	
Proposed general increase in natural gas rates.	)	

VERIFICATION OF THE CITIZENS UTILITY BOARD'S REBUTTAL TESTIMONY

I, Christopher C. Thomas, Director of Policy for the Citizens Utility Board, deposes and states that, as required by Illinois Supreme Court Rules 213 and 214, CUB Exhibit 2.0, my Rebuttal Testimony, together with any and all attachments, are, to the best of my knowledge, true, correct and complete in accordance with the rules.

Christopher C. Thomas
Director of Policy
CITIZENS UTILITY BOARD

Notarized this 23rd day of October, 2008

Elizabeth S. Davies
Notary Public

OFFICIAL SEAL
ELIZABETH S DAVIES
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:08/12/12